

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL PACKAGE SERVICE (FCPS)
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
1-8.a, 9-11 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**
(July 6, 2021)

The United States Postal Service hereby provides its responses to the above-listed questions of the Presiding Officer's Information Request No. 1, issued on June 28, 2021. Each question is stated verbatim and followed by the response. The response to Question 8.b is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony Alverno
Chief Counsel, Global Business & Service
Development

Eric P. Koetting
Elizabeth A. Reed
C. Dennis Southard IV

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 277-6333
eric.p.koetting@usps.gov
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1. Please refer to USPS-T-3 at 5. The Postal Service explains that "[t]he majority of FCPS volume is driven by the FCPS-Commercial price category." Please provide all quantitative metrics that support this claim. If no quantitative metrics are available, please identify any other information in support of the claim.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

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2. The Postal Service states that “[a]cross shipping products, the top driver of shipping satisfaction for commercial shippers in FY 2020 is high reliability.” USPS-T-3 at 5 (citing USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services). The Postal Service asserts that “[a]ccording to external market research, the drivers of satisfaction with greatest importance for shippers are: 1) reliability, 2) offering the best end-to-end service; 3) delivering items to destination as fast as possible; 4) delivering packages on the exact day that I expect it; and 5) offering my business the tracking information we need to assist customers.” *Id.*
- a. Please provide results for the abovementioned USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services, by quarter, for the past 3 years (*i.e.*, as early as FY 2017 Quarter 4 results), including the corresponding appendices. If necessary, please seek non-public treatment for the relevant materials.
 - b. Please explain how the top five “drivers of satisfaction with greatest importance for shippers” have changed since FY 2017. Please include in your discussion an explanation of how the relative importance of “reliability” and “delivering items to destination as fast as possible” have changed since FY 2017.
 - c. Please confirm that the “reliability” driver of shipping satisfaction could be interpreted by a survey participant to relate to the overall reliability of the Postal Service, rather than solely to service reliability of Postal Service package shipping services specifically. If confirmed, please explain whether another driver of shipping satisfaction would better reflect commercial shippers’ preferences for reliable package shipping services. If not confirmed, please explain.
 - d. Please explain the methodology by which the ranking of “the drivers of satisfaction with greatest importance for shippers” was calculated. Additionally:
 - i. Please confirm that this ranking methodology was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes in the methodology.
 - e. Please explain how the survey sample in the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services was identified and contacted. In your response, please state whether the sample is weighted and, if so, how. Additionally:
 - i. Please confirm that the methodology for identifying and contacting this survey sample was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes in the methodology.
 - f. Please confirm that the “shipping products” relevant to the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services

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refer solely to FCPS products. If not confirmed, please explain which products are referenced. Additionally:

- i. Please confirm that the definition of "shipping products" was consistent for the past results provided in response to question 2.a.
- ii. If not confirmed, please explain any changes in this definition.
- g. Please provide a full list of the drivers of shipping satisfaction that were surveyed in the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services, along with their respective rankings. Additionally:
 - i. Please confirm that the list of drivers was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes to the list of drivers.

RESPONSE:

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3. Please refer to USPS-T-3 at 7-8. The Postal Service explains that it expects “to maintain current FCPS-Retail volumes given [its highly competitive prices, improved reliability in meeting service expectations] and the convenience to retail customers of accessing [Postal Service] package products through [its] extensive retail network. If FCPS-Retail customers seek a faster delivery time, they have the option of choosing [the Postal Service's] Priority Mail product, and thus [are] able to readily substitute at one of [its] retail locations.”
 - a. Please provide any and all analyses, surveys, and other information that supports the abovementioned claim.
 - b. If the Postal Service does not possess any such information, please explain why questions targeted at eliciting such information were not included in the FCPS Transit Commitment Survey or another survey in order to gauge the volume impact of the relevant proposal on retail customers.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

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4. Please refer to USPS-T-3 at 6. The Postal Service explains that it aims “to achieve 95 percent on-time reliability and improve the current reach of 2-day volumes, which aligns with the key customer demand driver of reliable, consistent, on-time delivery, and the importance of regional delivery in today’s marketplace.”
- a. Please state whether the Postal Service prepared a study or impact analysis that confirms that it will meet or exceed a service performance target of 95 percent on-time delivery.
 - b. Please compare and contrast the process used to develop the initial service performance targets for FCPS with the process used to determine the abovementioned expected target of 95 percent on-time delivery.
 - c. Please identify and describe the steps that the Postal Service will take to ensure that the target of 95 percent on-time delivery is met or exceeded.

RESPONSE:

- a. Actual days to deliver performance metrics were reviewed to determine the target. Based on the proposed service standard changes, plus the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations, a 95 percent target for on-time performance was selected. The Postal Service did not prepare a study or impact analysis confirming it will meet or exceed a service performance target of 95 percent on-time delivery.
- b. In prior years, legacy service performance targets were maintained unless the performance demonstrated capability of surpassing the target. Each year, the service performance for each category was compiled at the District and Area-level to determine the median performance. If the median performance surpassed the target, the target was increased by 0.01 points. If the median performance was not at target, the target remained the same. Proposed changes to the targets were presented to the Executive Leadership Team (ELT) for approval.

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c. In order to continue providing reliable service, the Postal Service has addressed capacity issues by acquiring additional space in 46 locations to accommodate package growth. The Postal Service also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to its workforce. This will allow it to handle additional package volume in the processing and delivery network. The increased space and fluidity for packages will free up needed space for drop shipments.

Similar to what the Postal Service successfully accomplished prior to the pandemic, the Postal Service continues its daily review and analysis of service failures. The analysis allows it to promptly address root causes of process failures including efficiency and opportunity to maximize machine utilization.

The Postal Service is also addressing bottlenecks in its logistics networks by contracting additional Surface Transportation Centers to increase capacity to distribute mail throughout ground networks. The Postal Service performs daily mitigation of its air networks capacity shortfall and has begun its K9 project (using canines to screen packages) to alleviate bottlenecks in moving packages through the commercial air network.

In addition, with respect to contractor failures, the Postal Service applies a five step remediation process that starts with discussion and ends with termination of contract if issues are not resolved timely.

The Postal Service will continue to monitor and address service performance issues. The added transit time window will improve capability at origin to dispatch all volumes on designated transportation and arrive at destination prior to the CET. The added transit window will reduce extra transportation running to move volumes processed outside the operating plan window and allow the absorption of some transit delays.

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5. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

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6. Please see Attachment, filed under seal.

RESPONSE:

The question filed under seal seeks clarifications or definitions of several terms that appear as column or row labels in various tabs in the nonpublic spreadsheet submitted in USPS-LR-NP2021-2-NP1. Since, however, each of the terms listed appears in the corresponding tabs in both the public (USPS-LR-NP2021-2-1) and nonpublic versions (USPS-LR-NP2021-2-NP1) of the spreadsheet (even if the actual *values* in those columns and rows are in some instances redacted in the public version), it would appear appropriate to provide the requested clarification of the *concepts* behind these terms in a public response. The terms in question are those underlined below, and are followed by the requested clarification or definition.

Tab “Highway”

Inter-Cluster accounts are used to record the expense for the transportation of mail between a postal facility in one district and a postal facility in a different district, when both postal facilities are within the same postal area and neither are NDCs (not Inter-NDC). See USPS-T-2 at 1, n1.

Inter-Area accounts are used to record the expense for the transportation of mail between a postal facility (except an NDC) in one postal area and a postal facility (except an NDC) in a different area. See USPS-T-2 at 1, n1.

The Capacity Variability refers to the appropriate cost-to-capacity variability for each contract type, as estimated in Docket No. RM2014-6. See USPS-RM2014-6/1, Public

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Material Relating to Proposal Six (June 20, 2014), "Rpt.Updat.PHT.Cost.Cap.
Variab.docx", at 28, 31 (Tables 7 & 10).

Tab "Potential-Charter"

Additional % Change Capacity Needs refers to the additional percent change in capacity requirements for charters, beyond what was already included for the reduction in charter capacity in conjunction with the overall reductions in air capacity.

Tab "Potential-NDC Network"

Capacity Change (Low) refers to the lower-end of the range of surface capacity reductions in the Intra- and Inter-NDC networks estimated by witness Hagenstein. See USPS-T-1 at 5.

Capacity Change (High) refers to the higher-end of the range of surface capacity reductions in the Intra- and Inter-NDC networks estimated by witness Hagenstein. See USPS-T-1 at 5.

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7. Please refer to USPS-T-1 at 2. The Postal Service states that "current average utilization of surface transportation capacity is approximately 42 percent."
- a. Please provide the source data and methodology underlying the current average utilization of surface transportation capacity calculation.
 - b. Please confirm that the average utilization of surface transportation capacity of 42 percent reflects surface transportation potentially used by all mail products and not exclusively FCPS.
 - i. If confirmed, please discuss all possible factors that may explain the under-utilization of surface transportation.
 - ii. If not confirmed, please discuss how surface utilization capacity is measured for FCPS.
 - c. Please confirm that trucks used for surface transportation may carry other mail products along with FCPS. If not confirmed, please explain.

RESPONSE:

a. The source data for utilization is Surface Visibility, filtered to plant-to-plant, Highway Contract Route (HCR), outbound trips. Utilization is based on the quantity and type of containers loaded to each trip. Each container is associated with a percent load of the floor space of the trailer or truck assigned to each trip.

b. Confirmed

i. The biggest constraint to reducing trips and improving utilization is based on the service standards limiting the transit windows from origin to destination. Other factors include missing scan data may cause utilization to be under-reported, and some trips are utilized for moving collection mail volumes or volumes for delivery between facilities and have time constraints that necessitate maintaining trips at particular times. The proposed service standard change will extend the transit

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window and open additional opportunities for consolidating and transferring
volumes via hubs, or through multi-stop trips.

ii. Not applicable.

c. Confirmed

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8. Please refer to USPS-T-1 at 4. The Postal Service states that “[c]harters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic. However, given the continued high levels of network package volumes, even as commercial air capacity improves as pandemic conditions evolve, absent the proposed changes in service standards, charters would continue to be required to handle this package volume.”
- a. Please provide any and all analyses, surveys, and other information that supports the abovementioned claim.
 - b. Please provide the actual percentage of air charters used for the last 5 years prior to the COVID-19 pandemic.

RESPONSE:

- a. Please see ‘Charter Costs by Month FY20-FY21MarYTD.xlsx’, filed under seal as part of USPS-LR-N2021-2-NP5. While the details of the charts displayed therein are commercially sensitive, the broad outline is as follows. CAIR capacity decreased at the beginning of the pandemic, visible in April 2020 (blue lines). At the same time, total demand (orange lines) increased, causing a need for supplemental air capacity provided by the charters (grey lines). As CAIR capacity started returning in July, the need for charters decreased but remained above pre-COVID levels. At the time of the proposal, it was estimated that demand in the network would continue to drive the need for charters, even with CAIR capacity returning to pre-COVID levels.
- b. Response under preparation.

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9. Please refer to USPS-T-1 at 4-5. The Postal Service states that “[o]nce the coast-to-coast First-Class surface network is established, the current NDC-to-NDC network will be consolidated into the preferential surface network. This consolidation is estimated to reduce between 14 and 28 percent of the current inter-NDC trips and between 6 and 8 percent of the intra-NDC trips.” Please provide the source data and calculation that support these percentages.

RESPONSE:

The requested materials are provided under seal as part of USPS-LR-N2021-2-NP5. Please see: ‘Pref and NDC combined networks - potential benefit.xlsx’ for the estimated potential benefit of consolidating the preferential and NDC networks. This file estimates the potential benefit of moving utilization of the NDC network from 47 percent to 65 percent, assuming a reduction in trips due to the ability to share transportation with the preferential network.

The 6 to 8 percent reduction in intra-NDC trips was based on a study of two NDC campuses. The study analyzed the ability to reduce intra-NDC trips by consolidating volumes onto plant-to-plant transportation. Please see:

‘Decoupling NDC volume impact to Trans - 20210419v2.pptx’: PowerPoint presentation providing an overview of the study of potential consolidation of NDC campus trips with plant-to-plant trips.

‘Percent reduction of Intra-NDC trips - 20210514.xlsx’: summary of the potential reduction of miles based on the study

Supporting data files can be found in the folder ‘NDC campus study files’:

‘20Z_Volume_and Trip_Analysis.xlsx’: volume file containing trailer utilization of marketing, periodical and retail ground volumes by 20Z NDC service area site. Tab 20Z Service Area contains the summary of the trip count change and annualized costs. Sheet 1 contains the volume percentage for each product type by origin and destination and the status of the volume, whether it is an addition or removal to the transportation due to the processing changes.

‘30Z_Volume_and Trip_Analysis.xlsx’: volume file containing trailer utilization of marketing, periodical and retail ground volumes by 30Z NDC service area site.

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Tab 30Z Service Area contains the summary of the trip count change and annualized costs. Volume Data contains the volume percentage for each product type by origin and destination and the status of the volume, whether it is an addition or removal to the transportation due to the processing changes.

'30Z Transportation Analysis.pptx': contains the summary of all the assumptions and analysis performed for 30Z service area.

'30Z March SV Transportation.xlsx': SV Transportation file for the month of March for all sites within 30Z scope. Used to analyze additional trailer utilization capacity, to determine if new transportation needs to be added or if transportation can be removed due to processing changes.

'20Z March SV Transportation.xlsx': SV Transportation file from March 7 to April 3 for all sites within 20Z scope. Used to analyze additional trailer utilization capacity, to determine if new transportation needs to be added or if transportation can be removed due to processing changes.

'20Z Transportation Analysis.pptx': contains the summary of all the assumptions and analysis performed for 20Z service area.

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- 10.** Please refer to USPS-T-1 at 10. The Postal Service states that "FCPS volume with a three-day service standard must arrive at the destination ADC/SCF by 20:00 hours on Day 2. Assuming that the FCPS mail departs from its origin at 04:00 hours on Day 1, this permits the Postal Service to use surface modes of transportation only where the transit distance is approximately 1,800 miles or less (assuming an average transit speed of 46.5 miles per hour)." Please provide the source data and methodology that supports the calculations of maximum transit distance and average transit speed.

RESPONSE:

The average transit speed of 46.5 miles per hour is used based on input from Supply Management and is used when planning and contracting transportation solutions.

Departing Day 1 at 04:00 and arriving Day 2 at 20:00 leaves an available transit window of 40 hours. The maximum distance based on 40 hours multiplied by 46.5 miles is 1,860 miles. The transit distance was rounded to 1,800 miles in the testimony, as there are other factors such as time zone changes and transfers that could impact the transit distance.

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11. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP5.